

interrelated and comprehensive mechanism for regulating the securities markets. *See Domestic Sec., Inc. v. SEC*, 333 F.3d 239, 242 (D.C. Cir. 2003).

3. FINRA exercises disciplinary authority over its member securities firms and registered representatives and is required to enforce compliance with federal securities laws and FINRA rules. *See, e.g.*, 15 U.S.C. § 78o-3(b) and (h); § 78s; *D.L. Cromwell Inv., Inc. v. NASD Regulation, Inc.*, 279 F.3d 155, 157 (2d Cir. 2002) (FINRA is charged with “conducting investigations and commencing disciplinary proceedings against [FINRA] member firms and their associated member representatives relating to compliance with the federal securities laws and regulations”), *cert. denied*, 537 U.S. 1028 (2002). FINRA rules “are part of the apparatus of federal securities regulation.” *Kurz v. Fidelity Management & Research Co.*, 556 F.3d 639, 641 (7th Cir. 2009).

The Fraud Surveillance Section

4. FINRA’s Office of Fraud Detection and Market Intelligence (“OFDMI”) reviews regulatory intelligence from numerous sources, including tips, complaints and regulatory filings, to identify and expedite reviews of matters involving potential fraud or other serious misconduct, and conducts market surveillance for potential issuer fraud and insider trading. The Fraud Surveillance Section of OFDMI analyzes trading across all equity markets (Over-the-Counter markets included), detects and investigates fraudulent or manipulative activity, including issuer fraud, pump-and-dump stock schemes, market manipulation and account intrusions, and refers matters involving potential fraud or misconduct that are outside FINRA’s jurisdiction to the SEC’s Division of Enforcement.

FINRA Referral Reports

5. Since 2007, FINRA's Fraud Surveillance Section has sent a number of referral reports to the SEC's Division of Enforcement that identified brokerage accounts in the names of Verdmont Capital, S.A. ("Verdmont"), Caledonian Bank Ltd. and/or Caledonian Securities Ltd. (collectively, "Caledonian") as significant sellers of microcap securities, also known as penny stocks, during periods of suspected market manipulation schemes, or so-called pump-and-dump schemes.

Verdmont

6. From 2007 to the time the SEC filed its Complaint in the above-captioned matter, FINRA's Fraud Surveillance Section sent to the SEC approximately ninety (90) referral reports concerning suspected issuer fraud and/or market manipulation schemes and that identified Verdmont as a seller of the issuers' securities (primary penny stocks) during those suspected schemes. Fifty-three (53) of the approximately 90 referral reports were sent to the SEC during the shorter period from 2012 to the time the SEC filed its Complaint in the above-captioned matter, and included referral reports concerning Goff Corporation and Xumanii, Inc., which are subjects of the SEC's Complaint.

Caledonian

7. From 2012 to the time the SEC filed its Complaint in the above-captioned matter, FINRA's Fraud Surveillance Section sent to the SEC approximately one hundred and fourteen (114) referral reports regarding suspected issuer fraud and/or market manipulation schemes and that identified Caledonian as a seller of the issuers' securities (primarily penny stocks) during those suspected schemes, including referral reports concerning Goff Corporation, Xumanii, Inc.,

Swingplane Ventures, Inc., and Norstra Energy Inc., which are the subjects of the SEC's
Complaint.

I declare under penalty of perjury that the foregoing is true and correct to the best of my
knowledge, information, and belief.

Executed this 28th day of MAY, 2015, in Rockville, Maryland.

Paul G. Lane
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